

Vodacom Group Limited

(Incorporated in the Republic of South Africa)

(Registration number 1993/005461/06)

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("Vodacom" or "the company")

## **COVID-19 update**

Shareholders are referred to the announcement made by Vodacom on 17 March 2020, in relation to Vodacom's operations following the state of disaster announced by the president on 20 March 2020 in response to the COVID-9 pandemic.

In a subsequent announcement the president issued a national lock down for 21 days, which has since been extended for a further two weeks. Vodacom fully supports government's initiatives in containing this pandemic. In our operations outside of South Africa, there are various degrees of actions taken by governments. These vary between full lock downs, partial lock downs and "business as usual", but with emphasis on social distancing.

Vodacom's priority is the health and safety of our employees while continuing to deliver services and support to our customers.

Vodacom is working under strict conditions, across all our operations to limit and minimise the potential for COVID-19 transmission, and will continue to support and educate our people on the appropriate hygiene standards to follow. Notwithstanding the critical nature of our operations, most of our employees have been empowered to work from home.

Telecommunications has been classified as an essential service in South Africa. We have obtained the necessary approvals and permits to ensure that South Africans remain connected during this period.

The extent of the shutdown and the effect of COVID-19 on our business is continually being reassessed, with relevant task teams being established and business continuity plans being prepared and executed to deal with anticipated outcomes.

The situation remains fluid albeit that the following measures have been taken by the business to ensure that the business continues during these volatile times.

## **Financing**

Vodacom's conservative funding approach ensured that we have well managed balance sheet. Our leverage ratio of net debt to EBITDA-aL <sup>1</sup>(excluding lease liabilities) at 30 September 2019 was 0.9 times.

- Short term debt was refinanced during the year and repayment periods extended. Vodacom has no significant debt repayments due during the next 12 months.
- The company continues to monitor its debt exposure between fixed and variable rates, to ensure a balanced portfolio in an uncertain and volatile environment.

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<sup>1</sup> Earnings before Interest, Taxation, Depreciation and Amortisation; and after lease accounting

- In order to ensure that short term liquidity can be met and volatility absorbed, existing committed facilities with banks have been doubled by converting shadow facilities to committed facilities resulting in a total of R8 billion committed facilities.

## Supply chain

To date we have not experienced significant device and / or hardware supply disruptions that would have negatively impacted business. We are putting further measures in place to avoid disruptions and are working closely with our suppliers and partners in order to maintain critical supplies during this period. Where possible we have stockpiled some critical network and device elements to ensure that the network can remain available, while ensuring that customers will get access to devices while working from home.

## Demand

Overall we have noted increased traffic across our operations. Driven by increased working from home initiatives and entertainment at home. Following the implementation of lock down regulations in South Africa we noted a surge in data traffic on the network of up to 40% in comparison to pre-lock down implementation due to increased traffic as people work and entertain from home, but also due to zero-rating certain education, government and health sites to assist during the crisis. We are expecting this trend to continue in the short to medium term as more customers work from home and people using technology to remain connected, educated and entertained.

## Network

Our engineers are ensuring that the network can cater for additional demand to ensure an efficient communication channel. Where necessary we have the opportunity to offload more of our capacity to the Rain network in terms of our existing 4G roaming agreement with this partner. This allows for capacity alleviation on the Vodacom network. In order to increase the resilience of our network, we increased investment into capacity upgrades and batteries already in March and will continue with this to handle increased traffic and ensure availability.

Separately, we have submitted a request for additional spectrum as per the minister of Communications and Digital Technologies invitation to apply for temporary spectrum allocations. As per the departments' timetable we expect to receive feedback during the week. This will further ensure that network throughput remains optimal for all customers during this period, while being able to expand into certain underserved areas as well.

## Distribution

In South Africa, where full lock down is in place, customers can continue purchasing airtime at a number of service stations, retail shops and spaza outlets, which have been allowed to sell food and other essential services during this period. We also offer services such as airtime transfer for customers to be able to transfer airtime between family and friends, while airtime advance will allow customers to remain connected, until such time that airtime recharge is required. Our online channels, including the MyVodacom app and Vodapay also make it possible for customers to continue to purchase.

The longer term effects that lock downs across the globe will have on the world economy as well as the South African economy remains unknown. While we expect a short term increase

in demand for our services, medium term economic downturn is not good for any business. We are attempting to manage the crisis in a responsible and sustainable way to ensure we minimise financial impact.

At this time of uncertainty, we are extending a hand of support to the South African government in various ways. The ConnectU platform is used as a tool to ensure that customer remain connected and kids can stay educated through our e-school learning platform. Vodacom has partnered with Discovery health, to provide an on-line health care screening process for COVID-19. Citizens can access the portal free of charge and get an assessment based on questionnaire on whether further consultation is required. This can then be done via a virtual online doctor consultation which is provided for free by Vodacom and Discovery for up to 100 000 consultations. This will assist in relieving some of the pressure experienced by the health authorities. Vodacom has donated 20 000 smartphones plus 100 terabytes in data and 10 million voice call minutes to the National Department of Health. This will be used by frontline health workers to collect and transmit data in real time for resource planning purposes as government accelerates its COVID-19 testing campaign.

We are also supporting governments with Big Data analytics using anonymised data to model and monitor the spread of the virus. We have also made M-Pesa person to person transactions below a certain amount free across a number of our markets. We also support governments across our markets with various initiatives during the crisis.

We continue to monitor the effects that various actions will have on our economies as well as the resultant effects on our business. Vodacom will be releasing its results on or about 11 May 2020 for the year ended 31 March 2020 at which time more information will be presented to shareholders and stakeholders.

The above information has not been reviewed or reported on by the company's external auditors.

Midrand

16 April 2020

Sponsor: UBS South Africa (Pty) Limited